



Party Operations Part 3:

Federal Election Activity and Paying Committee Expenses

August 26, 2015
10:15 a.m. – 12:00 p.m.



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2015-16 Election Cycle

Party Operations Part 3

Objectives

- ▣ Define and Discuss Levin Funds and Federal Election Activity (FEA)
- ▣ Manage allocation accounts and review proper payment sequence
- ▣ Review Expenses Allocable Between
 - Federal Funds & Nonfederal Funds
 - Federal Funds & Levin Funds
- ▣ Discuss Allocation Methods
 - Fixed Percentage
 - Funds Received

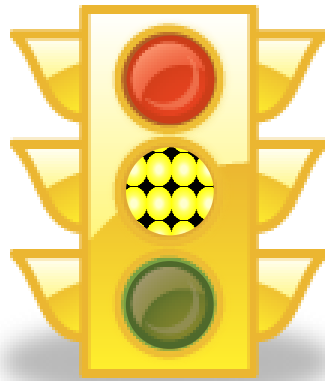


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Party Operations Part 3

Three Types of Funds

With respect to federal elections . . .



Nonfederal Funds

Levin Funds

Federal Funds

What are Levin Funds?

- ▣ Available to state/local party committees **ONLY**
- ▣ Subject to all state campaign finance laws
- ▣ Donors cannot give more than \$10,000 per year
- ▣ No foreign national contributions
- ▣ Deposited in separate Levin account or in nonfederal account
- ▣ Used for certain “Federal Election Activity” (FEA)

I. Levin Funds (11 CFR 300.30, 300.31 and 300.32) (Guide, pp. 57-58)

A. What Are Levin Funds?

- 1. Raised by State, District or Local Committee**
May only be raised and spent by state, district or local party committees.
- 2. Funds Must Comply With State Law**
 - a) Must be permissible under the laws of the state in which the party committee raising and spending the funds is organized;
 - b) May be solicited from some sources that may not contribute under the Act (e.g., corporations, unions and federal government contractors) so long as the donation is not from foreign nationals or from sources that are impermissible under state law.
- 3. \$10,000/Year Limit**
Limited to \$10,000 in a calendar year from any person (separate from federal limit), including any entity established, maintained, financed or controlled by that person (if state law limits donations to an amount less than \$10,000, then the lower limit applies). 11 CFR 300.31(d)(1)-(2).
- 4. Separate Account Not Required**
Committees that do not have a separate Levin account may keep Levin-eligible funds in the non-federal account. The committee is not required to report them as Levin funds until it characterizes them as such. When reporting these funds, the date of receipt is the date that the committee received them under state law, even though they are itemized on Schedule L-A in a later reporting period.
- 5. Limit Not Shared**
Each state, district and local party committee has a separate Levin fund donation limit, and committees are not considered to be affiliated under federal law for the purposes of determining Levin fund donation limits. 11 CFR 300.31(b)(3). (Affiliation rules may exist under state law, however.)
- 6. No Transfer of Levin Funds**
Levin funds may not be transferred among state, district or local party committees. Each party committee that uses Levin funds must raise their own Levin funds. 11 CFR 300.34(b).
- 7. Costs of Raising Levin Funds**
Must use only federal funds or Levin funds to pay the direct costs of the fundraising (including expenses for the solicitation of funds and for the planning and administration of actual fundraising activities and programs) if any portion of the funds will be used for federal election activity. 11 CFR 300.31 and 300.32(a)(4).

B. How are Levin Funds used?

1. Levin funds are used to pay a portion of certain allocable Federal Election Activity (FEA).
2. FEA refers to specific activities which are defined by the Act, which we'll discuss shortly.

Scenario #1

Reporting Donations of Levin Funds



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Reporting Scenario #1: Reporting Receipt of Levin Funds


The Freedom Party determines that it wants to begin raising Levin funds and sets up a separate account for this purpose. To generate Levin funds, the party mails out a solicitation letter on October 1, 2015. The fundraising letter was persuasive and, as a result, the party raised \$6,000 in donations of less than \$200 apiece from various individuals. In addition, a big party donor, Mr. Carmine Ragusa, made a \$10,000 donation to the party's Levin account on October 14.

How do we report Levin Funds raised?

Reporting Scenario #1 Answer: How do we report the Levin funds raised?

Step 1: Report the itemized donation. Show Schedule L-A to itemize Carmine's donation because it is \$200 or more. **Remember, this threshold for itemization is slightly different from regular itemizations.**

Levin Funds: Itemization

| | | | Receipt of Levin Funds | |
|---|--------------------|--|--|--|
| SCHEDULE L-A (FEC Form 3X) ITEMIZED RECEIPTS OF LEVIN FUNDS | | Use separate schedule(s) for each category of the Aggregation Page | PAGE 1 OF 1 FOR LINE NUMBER: (check only one) <input checked="" type="checkbox"/> 1a <input type="checkbox"/> 2 | |
| <small>Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.</small> | | | | |
| NAME OF COMMITTEE (In Full) Freedom Party of Illinois | | | | |
| A. Full Name (Last, First, Middle Initial) / Full Organization Name Carmine Ragusa | | | Date of Receipt 10 / 14 / 2015 | |
| Mailing Address 123 Bank Road | | | Amount of Each Receipt this Period \$10,000.00 | |
| City Chicago | State IL | Zip Code 60601 | Aggregate Year-to-Date \$10,000.00 | |
| Name of Employer or Principal Place of Business The Big Ragu Dance Studio | | | | |
| Occupation Dance Instructor | | | | |
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Step 2: Report the unitemized donations. The other donations are not required to be itemized because they were less than \$200 from any person. Show the total of the unitemized donations on Line 1(b) of Schedule L.

Levin Funds: Aggregation

Aggregate Levin Fund Receipts

SCHEDULE L (FEC Form 3X)

AGGREGATION PAGE: LEVIN FUNDS

NAME OF COMMITTEE (In Full)

Freedom Party of Illinois

NAME OF ACCOUNT

The Freedom Party of Illinois (Levin Account)

| | COLUMN A TOTAL THIS PERIOD | COLUMN B YEAR-TO-DATE |
|---|-------------------------------|--------------------------|
| 1. RECEIPTS FROM PERSONS | | |
| (a) Itemized (Use Schedule L-A) | \$10,000.00 | \$10,000.00 |
| (b) Unitemized | \$6,000.00 | \$6,000.00 |
| (c) Total | \$16,000.00 | \$16,000.00 |
| 2. OTHER RECEIPTS | \$0.00 | \$0.00 |
| 3. TOTAL RECEIPTS (Add Lines 1c and 2) | \$16,000.00 | \$16,000.00 |



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Supporting Candidates

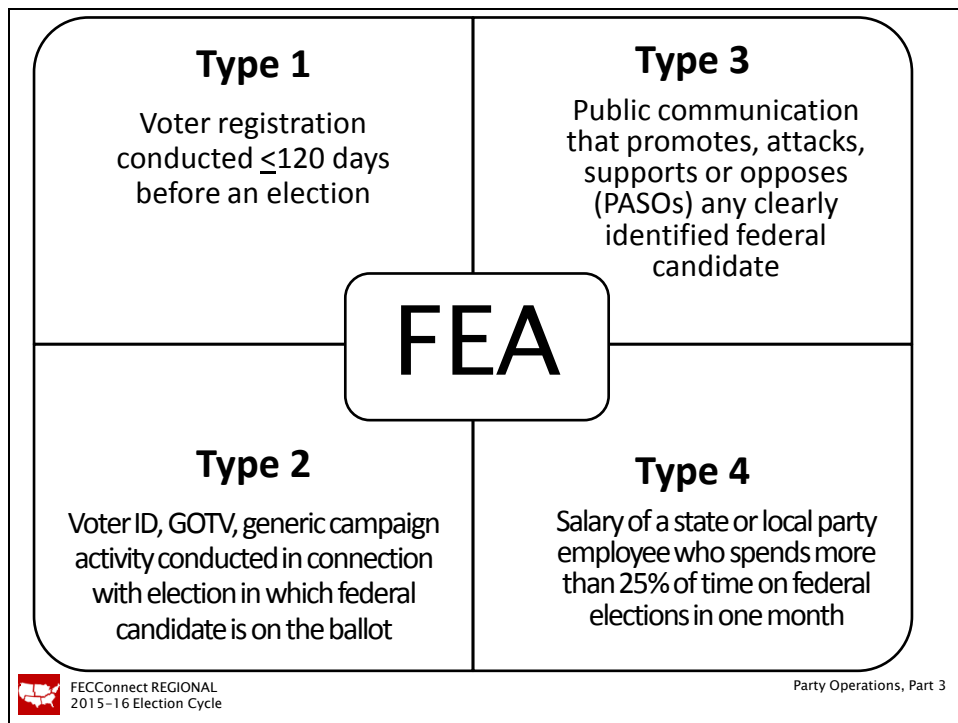
- ▶ Contributions
- ▶ Exempt Activities
- ▶ Phone Banks
- ▶ Coordinated Party Expenditures
- ▶ Independent Expenditures
- ▶ **Federal Election Activities (FEA)**



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II. Federal Election Activity (FEA) (11 CFR 100.24) (*Guide*, pp. 53-56)




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Party Operations, Part 3

A. Activities that are FEA

Type 1

Voter Registration




Time Frame:

≤ 120 days from regularly scheduled federal election

FEA

Definition:

- Contacting individuals **by any means** to assist them in registering to vote
 - Specific list of activities
 - Excludes brief, incidental exhortations to vote



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Party Operations, Part 3

1. Type 1 FEA: “Voter registration activity”

a) Definition (11 CFR 100.24(a)(2))

- (1) Rules cover activities that assist, encourage or urge potential voters to register to vote.
- (2) Definition covers contacting voters by any means.
- (3) Rules provide a specific list of activities that constitute voter registration activity, including:
 - Encouraging or urging potential voters to register to vote by mail (including direct mail), e-mail, in person or by telephone (including pre-recorded telephone calls, phone banks and messaging such as SMS and MMS);
 - Preparing and distributing information about registration and voting;
 - Distributing voter registration forms and instructions;
 - Answering questions about how to complete or file a voter registration form;
 - Assisting individuals with completing or filing voter registration forms;
 - Submitting or delivering completed voter registration forms;

- Offering or arranging to transport, or actually transporting potential voters to a board of election or county clerk's office for them to fill out voter registration forms; OR
 - Any other activity that assists potential voters to register to vote.
- b) **Exemption for Brief Incidental Exhortation**
- (1) An activity does not qualify as "voter registration activity" solely because it includes a brief exhortation to register to vote, as long as that exhortation is both brief and incidental.
 - (2) Example of activity that is NOT voter registration:
A mailer praises the public service record of mayoral candidate X. The mailer concludes by reminding recipients, "Don't forget to register to vote for X by October 1st!"
 - (3) Example of activity that is NOT voter registration: A phone call for a state party fundraiser gives listeners information about the event, solicits donations and concludes by reminding listeners, "Don't forget to register to vote."
- c) **Time Period:** Within 120 days of a regularly scheduled federal election.

▣ **Voter ID definition:**

- **Creating/enhancing voter lists by adding info about:**
 - Voters' likelihood of voting **OR**
 - Likelihood of voting for a particular candidate

Type 2
Voter ID

FEA

Time Frame:



In connection with an election
in which a federal candidate is
on the ballot

2. Type 2 FEA: "Voter Identification" ("Voter I.D.") (11 CFR 100.24(a)(4))

a) Definition:

- (1) Creating or enhancing voter lists by adding information about voters' likelihood of voting in a particular election or voting for a particular candidate.

- (2) The purchase of a voter list constitutes “voter identification” if purchased during the FEA time period.
- (3) Subsequent use of a voter list during the FEA period will not be considered a separate FEA cost unless the committee is also enhancing the voter list by verifying or adding information.

FEA Time Frame

“In connection with an election in which a federal candidate appears on the ballot” means:

For a regularly scheduled election:

- Primary ballot access deadline (or January 1st) until the general election

For a special election:

- The day a special election is set until the special election takes place



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- b) Time Period:** “In connection with an election in which a federal candidate appears on the ballot”
- (1) Regularly Scheduled Election: During the period beginning on the day of the earliest federal office filing deadline for primary election ballot access under state law—or on January 1 in states that do not hold primaries—and ending on the day of the general election, or the general election runoff, if a runoff is held; or
 - (2) Special Election: During the period beginning on the day that the date is set for a special election in which a federal candidate appears on the ballot and ending on the day of that election. 11 CFR 100.24(a)(1).
 - (3) Time frames for Type 2 FEA are calculated on a state-by-state basis and posted on the FEC’s website.

▣ **GOTV definition:**

- Encouraging individuals **by any means** to vote
 - Specific list of activities
 - Excludes brief AND incidental exhortations to vote

Type 2
GOTV

FEA

Time Frame:



In connection with an election
in which a federal candidate is
on the ballot



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3. Type 2 FEA: “Get-out-the-vote activity” (“GOTV”)

a) Definition (11 CFR 100.24(a)(3))

- (1) Rules cover activities that assist, encourage or urge potential voters to vote.
- (2) Definition covers contacting voters by any means to urge or encourage them to vote.
- (3) Rules provide a specific list of activities that constitute voter registration activity, including:
 - Encouraging or urging potential voters to vote, whether by mail (including direct mail), e-mail, in person, by telephone (including pre-recorded telephone calls, phone banks and messaging such as SMS and MMS) or by other means;
 - Informing potential voters about times when polling places are open, location of particular polling places or early voting or voting by absentee ballot;
 - Offering or arranging to transport, or actually transporting potential voters to the polls; OR
 - Any other activity that assists potential voters to vote.

b) Examples of Activity that IS GOTV:

- (1) Driving sound truck through neighborhood playing a message urging listeners to “Vote next Tuesday at the Main Street Community Center.”
- (2) Making robocalls or other calls reminding recipients of the times during which polls are open.

- c) **Exemption for Brief Incidental Exhortation**
- (1) An activity does not qualify as “get-out-the-vote activity” solely because it includes a brief exhortation to vote, as long as that exhortation is both brief and incidental.
 - (2) Example of activity that is NOT GOTV: A mailer praises the public service record of mayoral candidate X. The mailer concludes by reminding recipients, “Vote for X on November 4th.”
 - (3) Example of activity that is NOT GOTV: A phone call for a state party fundraiser gives listeners information about the event, solicits donations and concludes by reminding listeners, “Don’t forget to vote on November 4th.”
- d) **Time Period:** In connection with an election in which a federal candidate appears on the ballot.

Exceptions to FEA Rules

Certain costs during FEA time period are NOT subject to FEA funding restrictions:

- Voter ID
 - Conducted solely for nonfederal election (not used in subsequent federal election)
- GOTV activity
 - Conducted solely for nonfederal election
 - Communications must ONLY refer to:
 - Nonfederal candidates, ballot referenda, polling hours or locations
- *De minimus* costs incurred for:
 - Certain internet activities
 - Placing forms or absentee ballots in party offices



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4. Exemptions from Type 1 FEA (Voter Registration Activity) and Type 2 FEA (Voter ID and GOTV) Funding Restrictions:

- a) Voter ID conducted solely in connection with nonfederal election during FEA time period, but on which no federal election is held and which is not used in subsequent election in which a Federal candidate appears on the ballot (100.24(c)(5)).
- b) GOTV activity conducted solely in connection with nonfederal election during FEA time period, but on which no federal election is held, provided communications made refer exclusively to:

- (1) Nonfederal candidates on the ballot on the date of the nonfederal election;
 - (2) Ballot referenda on the ballot scheduled for the date of the nonfederal election; or
 - (3) The date, polling hours and locations of the nonfederal election (11 CFR 100.24(c)(6)).
- c) *De minimus* costs associated with the following:
- (1) On the website of a party committee or an association of State or local candidates, posting a hyperlink to a state or local election board's web page containing information on voting or registering to vote;
 - (2) On the website of a party committee or an association of State or local candidates, enabling visitors to download a voter registration form or absentee ballot application;
 - (3) On the website of a party committee or an association of State or local candidates, posting information about voting dates and/or polling locations and hours of operation; or
 - (4) Placing voter registration forms or absentee ballot applications obtained from the board of elections at the office of a party committee or an association of State or local candidates (11 CFR 100.24(c)(7)).

▣ **Generic Campaign Activity definition:**

- A public communication that:
 - ▣ Promotes or opposes a political party AND
 - ▣ DOES NOT promote or oppose a clearly identified federal/nonfederal candidate

Type 2
Generic
Campaign
Activity

FEA

Time Frame:



In connection with an election
in which a federal candidate is
on the ballot

5. **Type 2 FEA: “Generic Campaign Activity” (11 CFR 100.25)**

a) **Definition**

A public communication that promotes or opposes a political party and does not promote or oppose a clearly identified federal candidate or a nonfederal candidate. 11 CFR 100.25.

b) **Time Period:** In connection with an election in which a federal candidate appears on the ballot.

Public Communication

- ▣ Cable, satellite or broadcast communication
- ▣ Newspaper or magazine
- ▣ Mass mailing (> 500 pieces)
- ▣ Outdoor advertising facility
- ▣ Phone bank (> 500 calls w/same info)
- ▣ Communications placed for a fee on another person’s website (but not any other Internet or email activity) or
- ▣ Any other form of general public political advertising



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c) **Public Communication Defined (11 CFR 100.26)**

Includes communications made using the following media:

- Broadcast, cable or satellite;
- Newspaper or magazine;
- Outdoor advertising facility;
- Mass mailing (>500 substantially similar mailings w/in 30 days);
- Phone bank (>500 substantially similar calls w/in 30 days);
- Communications placed for a fee on another person’s web page;
- Any other form of general public political advertising.


Time Frame:
At any time during a calendar
year

**Type 3
PASO Candidate**



FEA

- Public Communication that Promotes, Attacks, Supports or Opposes
- Clearly Identified Federal Candidate
Regardless of whether the communication mentions a nonfederal candidate



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Party Operations, Part 3

6. **Type 3 FEA: Public Communications that “PASOs” federal candidate**
- a) **Definition:** “A public communication that promotes, attacks, supports or opposes (PASOs) a Federal candidate.” See 11 CFR 100.26 for definition of public communication.
- b) **Time Period:** At any time during a calendar year.

▣ **Definition:**

Salary/wages of state/local party employee who:

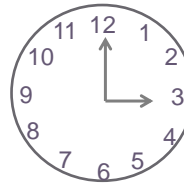
- ▣ Spends >25% of monthly time on federal elections
- ▣ Includes fringe benefits
- ▣ Committees should keep a monthly log of employee time spent on federal elections

FEA

**Type 4
Staff Salaries**

Time Frame:

At any time during a calendar
year



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7. Type 4 FEA: Employee Salaries

- a) **Definition:** The salaries and wages of an employee of a state, district or local party committee who spends more than 25% of his or her compensated time during that month on federal activity, including FEA. **Party committees must keep a monthly log of each employee's time spent on federal elections or federal activity during that month.** 11 CFR 106.7(d)(1).
- b) **Time Period:** At any time during a calendar year. See AO 2010-24.

Not Considered FEA

- ▣ Public Communications referring solely to nonfederal candidates
- ▣ Contributions to state/local candidates
- ▣ Costs of party conventions and meetings
- ▣ Grassroots materials for nonfederal candidates (i.e., buttons, pins, bumper stickers, etc.)



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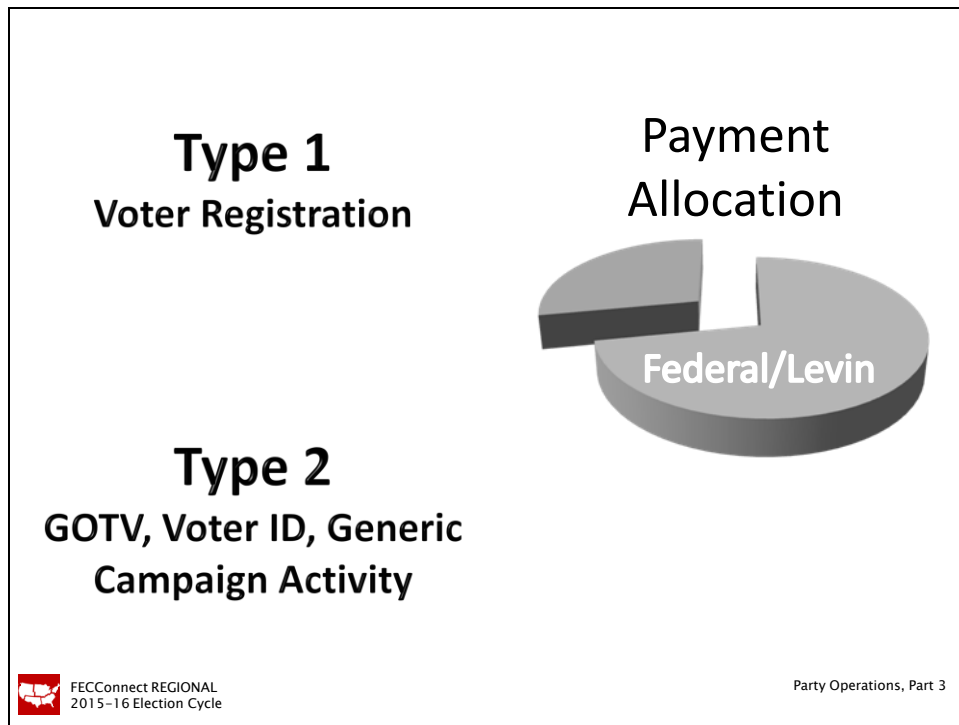
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- B. Activities That Are Not FEA (11 CFR 100.24(c))**
- 1. Public Communications Referring Solely To Nonfederal Candidates**
 - a) A public communication that refers solely to one or more clearly-identified candidate(s) for state or local office and does not promote, support, attack or oppose a clearly-identified candidate for federal office is not FEA.
 - b) A public communication would, however, be considered FEA if it constituted voter registration, generic campaign activity, get-out-the-vote activity or voter identification. 11 CFR 100.24(c)(1).
 - 2. A Contribution to a Candidate for State or Local Office**

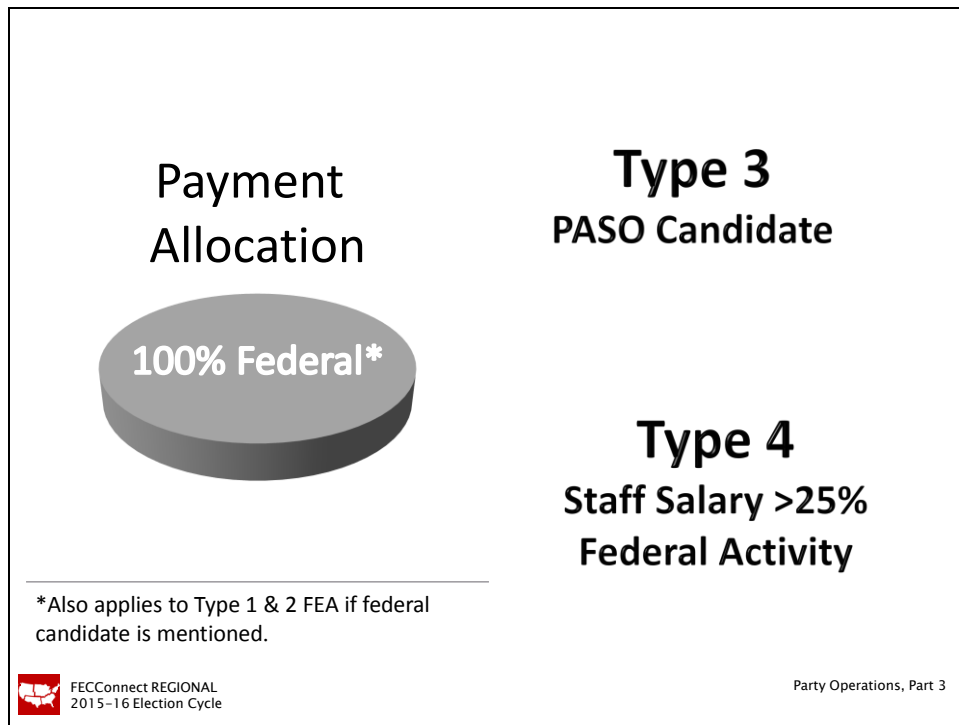
Unless the contribution is designated for voter registration, voter identification activity, generic campaign activity, get-out-the vote activity, employee services, or a public communication that qualifies as FEA. 11 CFR 100.24(c)(2).
 - 3. Party Meetings and Conventions**

The cost of state, district or local political conventions, meetings or conferences. 11 CFR 100.24(c)(3).
 - 4. Grassroots Materials for Nonfederal Candidates**

The costs of grassroots campaign materials (buttons, bumper stickers, yard signs, handbills, brochures and posters) that name or depict only candidates for state or local office. 11 CFR 100.24(c)(4).



- C. **Financing FEA** (*Guide*, p. 57)
1. **Financing FEA with Levin Funds**
- Levin funds may be used to pay the nonfederal portion of allocable expenses relating to:
- a) **Type 1:** Voter registration activity during the period that begins 120 days before the date of a regularly-scheduled federal election and ends on the day of that election.
 - b) **Type 2:** Voter identification, GOTV or generic campaign activity conducted in connection with an election in which a federal candidate appears on the ballot (regardless of whether a state or local candidate also appears on the ballot). 11 CFR 300.32(b).
 - c) **BUT** if expenditure for above activity mentions a federal candidate, it must be paid with 100% federal funds. 11 CFR 300.32(c)(1).



2. **100% Federal Funds Used for Certain FEA, including:**
 - a) **Type 3:** A public communication that promotes, supports, attacks or opposes (PASOs) any federal candidate; and
 - b) **Type 4:** Salaries, wages and fringe benefits of any employees who spend more than 25 percent of their compensated time in a given month on FEA or on activities in connection with a Federal election. 11 CFR 106.7(d)(1)(ii) and 300.33(d)(2) and AO 2010-24.
 - c) **Type 1 or Type 2 FEA that refers to a clearly identified Federal candidate.** 11 CFR 300.32(c)(1).
3. **Monthly Filing**

A state or local party committee that has had any federal receipts or disbursements for FEA – or any reportable Levin receipts and disbursements – must file monthly. 11 CFR 300.36(c)(1).

Scenario #2

Reporting Federal Election Activity



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Reporting Scenario #2: Disbursements for Public Communications

Background: On September 25, 2015, the *Regal Beagle Daily News* runs an article on Congressman Al Bundy's declining job approval ratings as the House prepares to vote on a budget bill. The article notes that Congressman Bundy potentially faces a tough 2016 general election challenge from state Attorney General Marcy D'Arcy. Rushing to take advantage of this newsworthy polling, on October 5, 2015, the Freedom Party, without speaking to the Bundy campaign, pays upfront for a billboard thanking Congressman Bundy for his recent votes on the budget and pledging their support for him on Election Day.

How must the state party committee categorize and report this disbursement?

Reporting Scenario #2 Answer:

1. How must the state party committee categorize and report this disbursement?

Answer: While neither an independent expenditure (no express advocacy) nor a coordinated party expenditure (no coordination), the disbursement is still a public communication that supports Congressman Bundy – thus, it is a type of FEA. This type of FEA is 100% federal, so it is itemized on Schedule B supporting Line 30b, with the identity of the candidate disclosed. *Since the party has made a disbursement for FEA, it must now also file monthly.*

Paying for FEA

Payment for Non-Allocable FEA

SCHEDULE B (FEC Form 3X)
ITEMIZED DISBURSEMENTS

Use separate schedule(s) for each category of the Detailed Summary Page

FOR LINE NUMBER: (check only one)

| | | | | | |
|------------------------------|------------------------------|------------------------------|------------------------------|-----------------------------|---|
| <input type="checkbox"/> 21b | <input type="checkbox"/> 22 | <input type="checkbox"/> 23 | <input type="checkbox"/> 24 | <input type="checkbox"/> 25 | <input type="checkbox"/> 26 |
| <input type="checkbox"/> 27 | <input type="checkbox"/> 28a | <input type="checkbox"/> 28b | <input type="checkbox"/> 28c | <input type="checkbox"/> 29 | <input checked="" type="checkbox"/> 30b |

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NAME OF COMMITTEE (In Full)
Freedom Party of Illinois

A. **Bud's Billboards**

Full Name (Last, First, Middle Initial)
Bud's Billboards

Mailing Address
350 Sunburst Way

City **Chicago** State **IL** Zip Code **60601**

Purpose of Disbursement
Billboard

Candidate Name
Al Bundy


Office Sought: ☐ House ☐ Senate ☐ President

Disbursement For: ☐ Primary ☐ General ☐ Other (specify) ▼

State: _____ District: _____

Date of Disbursement
10 / 05 / 2015

Amount of Each Disbursement this Period
\$1,500.00



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Party Committee Accounts

- ▣ Federal account:
 - Used to support federal candidates
 - Activity disclosed to FEC
- ▣ Nonfederal account
 - Used to support state and local candidates
 - Activity disclosed to state election office
- ▣ Levin account (optional)
 - Used to pay a portion of allocable FEA
 - Activity disclosed to FEC



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Party Operations Part 3

Paying Bills

Two Types of Bills:

- ▣ 100% Federal
 - No allocation permitted
- ▣ Allocable
 - Payment split between:
 - ▣ Federal/nonfederal funds OR
 - ▣ Federal/Levin funds
 - Follow FEC allocation sequence to pay bill



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Party Operations Part 3

III. Paying the Bills – (*Guide*, pp. 101-104)

A. Bills Paid in Two Ways

1. Some Items May be Paid Using 100% Federal Funds
2. Other Items May be Paid Using Mix of Federal/Nonfederal or Federal/Levin Funds (i.e., Allocable)

Bank Accounts

☐ Option 1: Use Federal Account

- Pay allocable bill from federal account
- Transfer in appropriate amount of nonfederal or Levin to cover share of each allocated expense

☐ Option 2: Establish Allocation Account

- Pay all allocable expenses from allocation account
- Transfer in appropriate amount of nonfederal or Levin to cover share of each allocated expense
- “Zero balance” account



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Party Operations Part 3

B. Paying for Allocable Expenses (by State, District and Local Party Committees or Unregistered Organizations)

1. Option 1: Use Federal Account

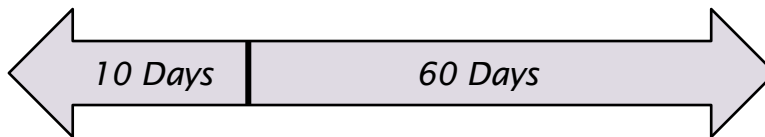
Pay total bill from federal account; transfer funds from nonfederal account or Levin funds to federal account to cover nonfederal or Levin share of each allocated expense.

2. Option 2: Establish Separate Allocation Account

- a) Transfer funds from federal and nonfederal accounts to allocation account in amounts equal to federal and nonfederal or Levin shares of each allocable expense.
- b) Allocation accounts are “zero balance” accounts, which contain only those funds transferred-in for the purpose of paying allocable expenses.
- c) Do not transfer funds from allocation account to any other account of same committee, and do not make disbursements for any purpose other than payment of allocable expenses.
- d) Pay all allocable expenses from allocation account for as long as the account is maintained.
- e) Allocation account is considered a federal account subject to all reporting requirements, but should not be registered and reported separately.

Payment-Transfer Sequence

- ▣ Federal or Allocation account pays total bill
- ▣ Nonfederal/Levin Account transfers its share within a 70-Day window
 - Window opens 10 days before bill is paid
 - Closes 60 days after bill is paid



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3. Payment Sequence

a) Transfers of Nonfederal or Levin funds to Federal or Allocation Account

For each payment to the vendor, the committee must transfer funds from the nonfederal account or Levin funds in an amount equal to, or less than, the nonfederal or Levin share of the expense.

b) 70-Day Window for Transfers

- 1) Transfers from the nonfederal account or Levin funds must be made within a 70-day time period: no more than 10 days before or 60 after the payment to the vendor.
- 2) One transfer may cover the nonfederal portion of several shared expenditures, provided the transfer occurs within the 70-day window applicable to all the expenditures covered.

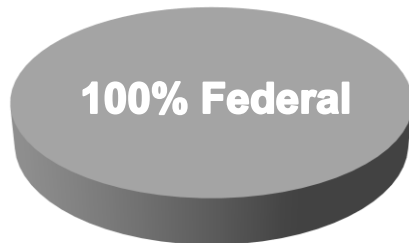
c) Avoid Contribution/Loan

Any transfer that does not meet the requirements for timing is presumed to be a loan or contribution from nonfederal or Levin to federal account, *in violation of the Act*.

d) May Pay More than Federal Share with Federal Account

Party has the option to pay 100% of a shared activity, without reimbursement from the nonfederal account or Levin funds.

Non-Allocable Expenses



- ☐ All payments by national
- ☐ Fundraising for the federal account
- ☐ Exempt activity refers to only federal candidates
- ☐ Type 1 & Type 2 FEA refers to federal candidates
- ☐ Type 3 & Type 4 FEA



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Party Operations Part 3

IV. Allocable or Not? – (*Guide*, pp. 101-102)

A. Expenses That Are 100% Federal

1. ALL Expenses by National Party Committees

National party committees, under the Act, must use 100% federal funds for all expenses and may not raise nonfederal or Levin funds.

11 CFR 106.7(a) and 300.10(a).

2. Certain Expenses by State, District and Local Party Committees

The following expenses are not allocable and must be paid 100% from the party committee's federal funds:

a) Fundraising for Federal Account

Party committees that conduct fundraising activities, programs or events where only federal funds are raised must pay the direct costs of such fundraisers only with federal funds.

11 CFR 300.32(a)(3).

b) Party exempt activities that refer only to one or more candidates for federal office and do not list a candidate for nonfederal office. 11 CFR 106.7(e)(1). Example: A slate card/sample ballot that lists only candidates for federal office and no candidates for nonfederal office.

c) Type 1 and Type 2 FEA activities that refer to federal candidates. 11 CFR 300.33(a)(1) and (2).

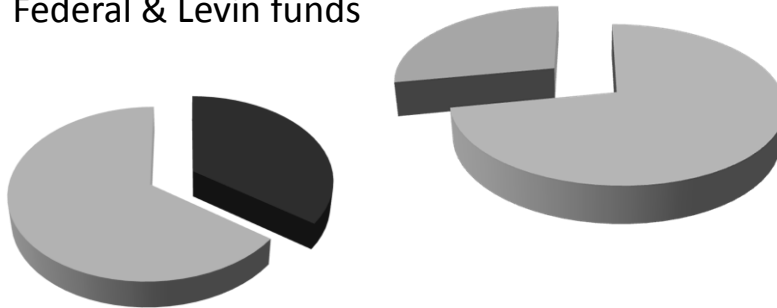
FEA voter registration, voter identification, GOTV and generic campaign activity if the activity references a clearly-identified federal candidate.

- d) **Type 3 FEA Public Communications that PASO**
Payments for public communications that refer to a clearly-identified federal candidate and that promote, support, attack or oppose any federal candidate (regardless of whether a nonfederal candidate is mentioned). 11 CFR 300.33(c)(1).
- e) **Type 4 FEA: Salaries and Wages**
Salaries and wages (including benefits) of employees who spend **more than 25% percent** of their compensated time per month on activities in connection with federal elections, including FEA. 11 CFR 106.7(d) and (e)(2).

Allocable Expenses

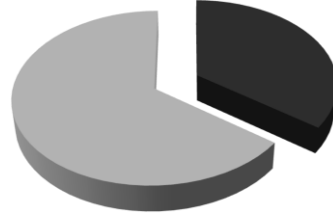
▣ Expenses That Are Allocable:

- ✓ Federal & Nonfederal funds
- ✓ Federal & Levin funds



Federal & Nonfederal

- ▣ Administrative Expenses
 - Rent
 - Utilities
 - Staff salaries (≤25%)
- ▣ Non-FEA “Exempt Activities”
 - Slate cards
 - Campaign materials
 - Presidential GOTV and voter registration drives
- ▣ Non-FEA Generic Voter Drives
- ▣ Fundraising Costs



FECConnect REGIONAL
2015–16 Election Cycle

Party Operations Part 3

B. Expenses Allocable between Federal and Nonfederal Accounts– (11 CFR 106.7(c))

1. Administrative Expenses – (11 CFR 106.7(c)(1) and (2))

- a) Rent
- b) Utilities, equipment and office supplies
- c) Salaries and benefits for certain employees
 - 1) Salaries and wages (including benefits) for employees who spend 25 % or less of their compensated time in a given month on activity in connection with federal elections (including FEA) must be allocated between federal/nonfederal account as an administrative expense. (Previously could be paid 100% nonfederal.)
 - 2) Employees who spend none of their time on FEA or on activity in connection with a federal election in a given month may be paid 100% nonfederal.

2. Party Exempt Activity Conducted in Conjunction with Nonfederal Activity – (11 CFR 106.7(c)(3))

Examples: Slate cards mentioning federal and nonfederal candidates distributed by volunteers (*Note: If exempt activity is also FEA, must be paid for as FEA, not as exempt activity.*) See Party Operations Part 2 (Tab 4) for discussion on Exempt Party Activity.

3. **Costs of Generic Voter Drives** – (11 CFR 106.7(c)(5))

Examples: Expenses for voter identification, voter registration and GOTV drives and any other activities that urge the general public to register or vote, or that promote or oppose a political party, without promoting or opposing a candidate or nonfederal candidate, and that do not qualify as FEA or party exempt activity. 11 CFR 106.6(b)(1)(iii).

(Note: If activity is also FEA, must be paid for as FEA.)

4. **Direct Costs of Federal/Nonfederal Fundraising Events or Programs** – (11 CFR 106.7(c)(4))

Example: Direct costs of event or program, including disbursements for solicitation of funds and planning and administration of actual fundraising events where federal and nonfederal Funds are raised at the same time.

Federal & Levin

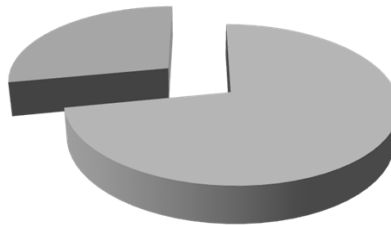
Provided no federal candidates named:

☐ Type 1 FEA

- Voter registration 120 days before election

☐ Type 2 FEA

- Voter ID
- GOTV
- Generic Campaign Activity
 - ☐ In connection with an election in which a federal candidate appears on the ballot



FECConnect REGIONAL
2015-16 Election Cycle

Party Operations Part 3

C. **Expenses Allocable Between Federal and Levin Funds** – (*Guide*, pp. 116-117)

1. **Type 1 FEA**

Voter registration 120 days before election.

2. **Type 2 FEA**

Voter identification, generic campaign activity and get-out-the-vote activity that does NOT refer to a clearly-identified federal candidate.

V. **Allocation Methods** (*Guide*, pp. 102-103)

Allocation Methods

▣ Fixed Percentage Method



▣ Funds Received Method



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2015-16 Election Cycle

Party Operations Part 3

Method: Fixed Percentage

▣ Use When Paying:

- Admin. Expenses
- Exempt Activity
- Non-FEA Voter Drives
- FEA



▣ Percentage:

- Presence of a Senate or Presidential candidate on the ballot in next general election
 - ▣ House candidates not a factor
- Percentage used for entire two-year cycle



FECConnect REGIONAL
2015-16 Election Cycle

Party Operations Part 3

- A. **Fixed Percentage Method**
1. **Use Fixed Percentage to Allocate**
 - **Administrative Expenses**
 - **Exempt Activity**
 - **Generic Voter Drives**
 - **Federal Election Activity**

Method: Fixed Percentage

| Candidates on the Ballot | Federal Share |
|--|---------------|
| If both President and Senate on ballot | 36% |
| If President but no Senate on ballot | 28% |
| If Senate but no President on ballot | 21% |
| Neither President nor Senate on ballot | 15% |



FECConnect REGIONAL
2015-16 Election Cycle

Party Operations Part 3

2. **General Election Ballot**

Percentage of federal funds is determined by presence or absence of a Senate and/or Presidential candidate on the ballot in the next regularly scheduled federal general election. 11 CFR 300.33(b)

 - a) **36% - Both President and Senate**
 - b) **28% - President but no Senate**
 - c) **21% - Senate but no President**
 - d) **15% - Neither President nor Senate**
3. **Two-Year Cycle**

Apply fixed percentage to expenses incurred during two-year period (example 1/1/15 – 12/31/16).

Scenario #3

Using Fixed Percentage: Reporting Allocated Administrative Expenses



FECConnect REGIONAL
2015-16 Election Cycle

Party Operations Part 3

Reporting Scenario #3: Reporting Allocated Administrative Expenses

Background: Your records show that the Freedom Party committee's rent is \$5,000 per month. The federal account paid the building owner, Liz Lemon, on September 1, 2015.

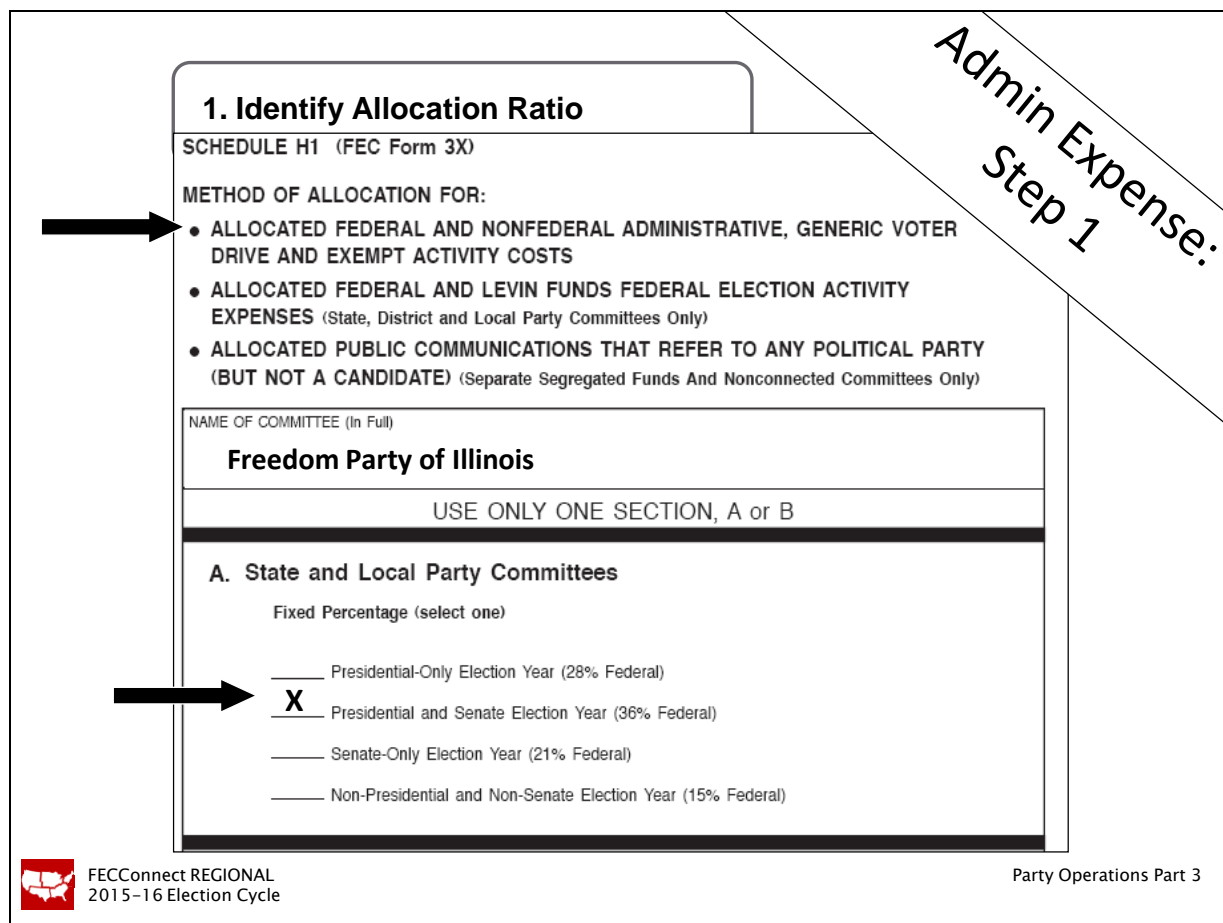
1. How do party committees pay their shared administrative expenses?

Reporting Scenario #3 Answer:

1. How do party committees pay their shared administrative expenses?

Answer: They allocate between their federal and state (nonfederal) accounts, using the fixed percentage method. Illinois' fixed percentage ratio for the 2015-2016 election cycle is 36% federal because there is both a Presidential and a Senate election in Illinois in 2016. So our first step is to apply the fixed percentage for allocated administrative expenses.

Report Ratios. Show completion of Schedule H1 (Method of Allocation for Administrative, Generic Voter Drive and Exempt Activity Costs) by applying the fixed percentage method.



1. Identify Allocation Ratio

SCHEDULE H1 (FEC Form 3X)

METHOD OF ALLOCATION FOR:

- ALLOCATED FEDERAL AND NONFEDERAL ADMINISTRATIVE, GENERIC VOTER DRIVE AND EXEMPT ACTIVITY COSTS
- ALLOCATED FEDERAL AND LEVIN FUNDS FEDERAL ELECTION ACTIVITY EXPENSES (State, District and Local Party Committees Only)
- ALLOCATED PUBLIC COMMUNICATIONS THAT REFER TO ANY POLITICAL PARTY (BUT NOT A CANDIDATE) (Separate Segregated Funds And Nonconnected Committees Only)

NAME OF COMMITTEE (In Full)

Freedom Party of Illinois

USE ONLY ONE SECTION, A or B

A. State and Local Party Committees

Fixed Percentage (select one)


☐ Presidential-Only Election Year (28% Federal)

☒ **X** Presidential and Senate Election Year (36% Federal)

☐ Senate-Only Election Year (21% Federal)

☐ Non-Presidential and Non-Senate Election Year (15% Federal)

Admin Expense: Step 1

 FECConnect REGIONAL 2015-16 Election Cycle

Party Operations Part 3

2. How do we actually handle making the payment and making sure each account has paid its share?

3. How does the nonfederal account actually pay its share? When should the account make the transfer? How does the account report this transfer?

2. How do we actually handle making the payment, and making sure each account has paid its share?

Answer: Report Allocated Administrative Expenses. The entire amount of the allocable expense is paid out of the federal account. However, show reporting on Schedule H4 of the federal and nonfederal share of the rent, based on the allocation ratio. (36% of \$5,000 is \$1,800; \$3,200 is the non-federal share.)

Admin Expense:
Step 2

2. Report Allocated Disbursement

SCHEDULE H4 (FEC Form 3X)

DISBURSEMENTS FOR ALLOCATED FEDERAL/NONFEDERAL ACTIVITY

PAGE 1 OF 1
FOR LINE 21a OF FORM 3X

NAME OF COMMITTEE (In Full)
Freedom Party of Illinois

A. Full Name (Last, First, Middle Initial)
Liz Lemon

Mailing Address
115 W. Monroe Street

City
Springfield State
IL Zip Code
62701

Purpose of Disbursement:
Rent

Activity or Event Identifier:

Allocated Activity or Event:

☒ Administrative ☐ Fundraising ☐ Exempt

☐ Voter Drive ☐ Direct Candidate Support


☐ Public Comm (ref to party only) by PAC

Allocated Activity or Event Year-To-Date

\$5,000.00

Date **09 / 01 / 2015**

| FEDERAL SHARE | + | NONFEDERAL SHARE | = | TOTAL AMOUNT |
|-------------------|---|-------------------|---|-------------------|
| \$1,800.00 | | \$3,200.00 | | \$5,000.00 |



FECConnect REGIONAL
2015-16 Election Cycle

Party Operations Part 3

3. How does the nonfederal account actually pay its share?

Answer: It makes the transfer into the federal account, which it does on October 1st.

When should the nonfederal account make the transfer?

Answer: 10 days before the payment, or 60 days after.

How does the federal account report this transfer?

Answer: On Schedule H3 (Transfers from Nonfederal Accounts), show the transfer-in from the nonfederal account for its share of the rent.

Admin Expense:
Step 3

3. Report Nonfederal Transfer

SCHEDULE H3 (FEC Form 3X)
TRANSFERS FROM NONFEDERAL ACCOUNTS FOR
ALLOCATED FEDERAL / NONFEDERAL ACTIVITY

PAGE **1** OF **1**
FOR LINE 18a OF FORM 3X

NAME OF COMMITTEE (In Full)
Freedom Party of Illinois

| NAME OF ACCOUNT | DATE OF RECEIPT | TOTAL AMOUNT TRANSFERRED |
|--|---|--------------------------|
| IL Freedom Party Nonfederal Account | <div style="display: flex; justify-content: space-around;"> <div>MM / DD / YYYY</div> </div> <div style="display: flex; justify-content: space-around;"> <div>10</div> <div>01</div> <div>2015</div> </div> | \$3,200.00 |

BREAKDOWN OF TRANSFER RECEIVED

i) Total Administrative \$3,200.00

FECConnect REGIONAL
2015-16 Election Cycle

Party Operations Part 3

Allocated Admin Expenses

Three-Step Reporting Process

1. Identify Allocation Ratio

2. Report Federal Disbursement

3. Report Non-Federal Fund Transfer



FECConnect REGIONAL
2015-16 Election Cycle

Party Operations Part 3

Tricky Issues:

Allocated Administrative Expenditures: Report using 3-Step Process on H Schedules:

- **Ratio on Schedule H1**
 - Check ONE line in Section A that applies to your committee.
 - In 2016, the ratio is either 36% Federal or 28% Federal since it is a Presidential election year.
 - Ratio applies to expenses during two-year cycle (example 1/1/15 – 12/31/16).
 - File H1 with the first report each year that discloses allocable disbursements.
- **Payment on Schedule H4**
 - Include specific purpose.
 - Check appropriate category.
- **Transfer-in of Nonfederal Share on Schedule H3**
 - Use appropriate line (category) for type of expense.
 - No transfers from nonfederal account permitted outside of the 70-day window (up to 10 days before or up to 60 days after the bill is paid).

Scenario #4

Using Fixed Percentage: Reporting Allocated FEA Expenditures



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2015-16 Election Cycle

Party Operations Part 3

Reporting Scenario #4: Allocated FEA

Background: The Illinois Freedom Party has raised both Levin funds and federal funds, and now intends to use them to pay for a Voter ID drive prior to the Illinois primary election in 2016. This activity will begin on December 1, 2015, and will cost \$10,000.

1. **What is the first thing we need to do for an allocated activity, regardless of whether it is administrative, FEA or fundraising?**

Reporting Scenario #4 Answer:

1. What is the first thing we need to do for an allocated activity, regardless of whether it is administrative, FEA or fundraising?

Answer: Determine the Ratio. Show Schedule H1 to disclose the fixed percentage ratio, which also applies to allocated FEA. In Illinois, as we already know, the fixed federal percentage is 36% for the 2015-2016 election cycle.

1. Identify Allocation Ratio

SCHEDULE H1 (FEC Form 3X)

METHOD OF ALLOCATION FOR:

- ALLOCATED FEDERAL AND NONFEDERAL ADMINISTRATIVE, GENERIC VOTER DRIVE AND EXEMPT ACTIVITY COSTS
- ALLOCATED FEDERAL AND LEVIN FUNDS FEDERAL ELECTION ACTIVITY EXPENSES (State, District and Local Party Committees Only)
- ALLOCATED PUBLIC COMMUNICATIONS THAT REFER TO ANY POLITICAL PARTY (BUT NOT A CANDIDATE) (Separate Segregated Funds And Nonconnected Committees Only)

NAME OF COMMITTEE (In Full)

Freedom Party of Illinois

USE ONLY ONE SECTION, A or B

A. State and Local Party Committees

Fixed Percentage (select one)

☐ Presidential-Only Election Year (28% Federal)

☒ **X** Presidential and Senate Election Year (36% Federal)

☐ Senate-Only Election Year (21% Federal)

☐ Non-Presidential and Non-Senate Election Year (15% Federal)

Allocated FEA: Step 1

FECConnect REGIONAL 2015-16 Election Cycle

Party Operations Part 3

2. Now that we know which percentage to use, what do we do next?

2. Now that we know which percentage to use, what do we do next?

Answer: Report Allocated Expense. The entire amount of the allocable expense is paid out of the federal account. Show reporting, however, on Schedule H6 (Disbursements of Federal and Levin Funds for Allocated Federal Election Activity) of the federal and Levin shares of the Voter ID file cost, based on the allocation ratio — 36% of the \$10,000 is \$3,600 (federal share) and 64% of the \$10,000 is \$6,400 (Levin share).

Allocated FEA:
Step 2

2. Report Allocated Expense

SCHEDULE H6 (FEC Form 3X)
DISBURSEMENTS OF FEDERAL AND LEVIN FUNDS
FOR ALLOCATED FEDERAL ELECTION ACTIVITY
 (To be used by State, District and Local Party Committees Only)

PAGE **1** OF **1**
 FOR LINE 30a OF FORM 3X

NAME OF COMMITTEE (in Full)
Freedom Party of Illinois

A. Full Name (Last, First, Middle Initial) / Full Organization Name
Voter Strategies

Mailing Address
123 Brooks Ave.

City **Chicago** State **IL** ZIP Code **60601**

Purpose of Disbursement
Voter ID Campaign Planning

Type of Allocated Activity or Event:
☒ Voter Registration ☐ GOTV
☒ Voter ID ☐ Generic Campaign

Allocated Activity or Event Year-To-Date
\$10,000.00

Category/Type Date **12** / **01** / **2015**

| | | | | |
|-------------------|---|-------------------|---|--------------------|
| FEDERAL SHARE | + | LEVIN SHARE | = | TOTAL AMOUNT |
| \$3,600.00 | | \$6,400.00 | | \$10,000.00 |


SUBTOTAL of Shared Federal and Levin Activity This Page

| | | | | |
|-------------------|---|-------------------|---|--------------------|
| FEDERAL SHARE | + | LEVIN SHARE | = | TOTAL AMOUNT |
| \$3,600.00 | | \$6,400.00 | | \$10,000.00 |

TOTAL This Period (last page for each line only)(Federal share to 30(a)(i) and Levin share to 30(a)(ii))

| | | | | |
|-------------------|---|-------------------|---|--------------------|
| FEDERAL SHARE | + | LEVIN SHARE | = | TOTAL AMOUNT |
| \$3,600.00 | | \$6,400.00 | | \$10,000.00 |

TOTAL This Period for the Levin Share



FECConnect REGIONAL
2015-16 Election Cycle

Party Operations Part 3

3. Now that we know how much each account must pay, what do we do next?

3. Now that we know how much each account must pay, what do we do next?

Answer: Report Transfer-In of Levin Funds. Use Schedule H5 (Transfers of Levin Funds for Allocated FEA) to show the receipt of the transfer-in of Levin funds for the Levin share of the Voter ID activity. Keep in mind that this transfer must be made within a 70-day window: up to 10 days before the payment, or up to 60 days after. In our example here, the transfer into the federal account occurs on January 12, 2016.

Allocated FEA:
Step 3

3. Report Levin Fund Transfer

SCHEDULE H5 (FEC Form 3X)

**TRANSFERS OF LEVIN FUNDS RECEIVED FOR
ALLOCATED FEDERAL ELECTION ACTIVITY**

(To be used by State, District and Local Party Committees Only)

PAGE **1** OF **1**

FOR LINE 18b OF FORM 3X

NAME OF COMMITTEE (In Full)

Freedom Party of Illinois

| NAME OF ACCOUNT | DATE OF RECEIPT | TOTAL AMOUNT TRANSFERRED |
|---|-----------------------|--------------------------|
| IL Freedom Party Levin Account | 01 / 12 / 2016 | \$6,400.00 |

BREAKDOWN OF THIS TRANSFER

i) Voter Registration

Total Amount Transferred for Voter Registration

VOTER REGISTRATION

ii) Voter ID

Total Amount Transferred for Voter ID

VOTER ID

\$6,400.00

iii) GOTV

Total Amount Transferred for GOTV

GOTV

iv) Generic Campaign Activity

Total Amount Transferred for Generic Campaign Activity

GENERIC CAMPAIGN ACTIVITY

FECConnect REGIONAL
2015-16 Election Cycle

Party Operations Part 3

4. Do we have anything else to account for?

4. Do we have anything else to account for?

Answer: Yes. Report Disbursement of Levin Funds. Use Schedule L-B (Itemized Disbursements of Levin Funds) to itemize the transfer-out of Levin funds being disbursed to the federal account (this amount and category of FEA should match your Schedule H5 transaction). Carry totals from Schedule L-B to the appropriate line on Schedule L. In this case, the total must be reported on Line 4(b) of Schedule L.

Allocated FEA:
Step 4

4. Report Levin Fund Disbursement

SCHEDULE L-B (FEC Form 3X)
ITEMIZED DISBURSEMENTS
OF LEVIN FUNDS

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

NAME OF COMMITTEE (In Full)
Freedom Party of Illinois

Full Name (Last, First, Middle Initial) / Full Organization Name

Use separate schedule(s) for each category of the Aggregation Page

FOR LINE NUMBER: PAGE **1** OF

(check only one) ☒ 4a ☐ 4c ☐ 5
☐ 4b ☐ 4d

A. IL Freedom Party Committee/Federal Account

Mailing Address
777 Capitol Street

City **Springfield** State **IL** Zip Code **62701**


Purpose of Disbursement
Transfer of Levin Funds

Date of Disbursement

01 / 12 / 2016

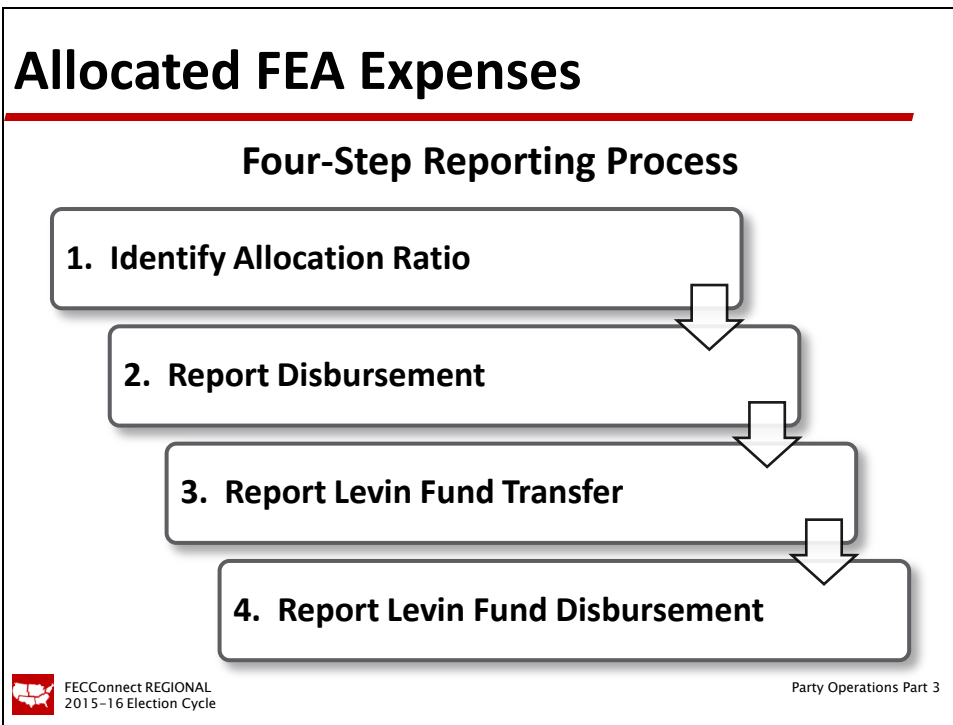
Amount of Each Disbursement this Period

\$6,400.00



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2015-16 Election Cycle

Party Operations Part 3



Tricky Issues: Reporting Allocated Federal Election Activity:

- **Allocate according to fixed percentage method calculated on Schedule H1.**
 - Schedule H1 has to be filed with the first report each calendar year that discloses allocable disbursements.
 - Do not send in two H1 schedules in a calendar year unless a special election occurs that alters the ratio (e.g., Senate special election in non-election year).
- **Report payments on Schedule H6:**
 - The payments for the expenses must come from either the federal account or the allocation account.
- **Report transfers-in on Schedule H5**
 - The account containing Levin funds must transfer the Levin share during the period beginning 10 days before the payment is made, and ending 60 days after.
 - Schedule H5 is similar to a recordkeeping approach; activities are grouped by the date of the transfers. **(Corresponds to Schedule L-B)**
- **The L Schedules**
 - The L Schedules are memo schedules and do not affect totals on the Summary or Detailed Summary Pages of Receipts and Disbursements for Form 3X.
 - The transfer out of Levin funds is also itemized on Schedule L-B. **(Corresponds to Schedule H5)**

Allocation Methods

Fixed Percentage Method



Funds Received Method



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2015-16 Election Cycle

Party Operations Part 3

- B. Funds Received Allocation Method** (*Guide*, pp. 102-103)
- 1. Use “Funds Received” Method to Allocate:**
 - a) **Direct Costs of a Federal/Nonfederal Party Fundraiser**
Examples: Fundraising events that raise funds for both the federal and nonfederal accounts such as a Lincoln Day or Jefferson-Jackson Day dinner.
 - b) **Direct Fundraising Support for Candidates**
Example: When funds are raised for federal and nonfederal candidates at the same event, such as a fundraiser on behalf of a House candidate and a gubernatorial candidate.
 - 2. Paying Fundraising Costs**
 - a) State and local party committees may allocate the direct costs of each fundraising program or event in which the committee collects both federal and nonfederal funds.
 - b) Costs are allocated according to the ratio of the federal funds received to total receipts for the fundraising event:

Ratio:
$$\frac{\text{Federal receipts for program or event}}{\text{Total receipts for program or event}}$$

Allocation: Funds Received

- ▣ Estimate ratio based on prediction
- ▣ Within 60 days:
 - Adjust ratio & transfer funds to reflect actual receipts
- ▣ Further transfers may be necessary if:
 - More federal funds received than estimated



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2015-16 Election Cycle

Party Operations Part 3

- c) Estimate ratio prior to the fundraising event, based on a reasonable prediction of revenue.
- d) If actual proportion of funds received is different than anticipated, adjust ratio within 60 days after event.
- e) Transfer funds between accounts (either way) to reflect adjusted ratio within 60 days after event.
- f) Further transfers from the federal to the nonfederal account may be necessary, should additional federal funds be received after the 60-day period.
- g) Transfers from nonfederal to federal no longer permissible after 60 days.
- h) In case of fundraising for a federal candidate, fundraising costs incurred represent in-kind contribution to federal candidate or coordinated party expenditure.

Scenario #5

Funds Received:

Reporting Fundraising Expenses, Including Ratio Adjustments



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2015-16 Election Cycle

Party Operations Part 3

Reporting Scenario #5: Reporting Fundraising Expenses, Including Ratio Adjustments

Task 1: Determining Ratio for Allocating Fundraising Expenses

Background: At the beginning of each year, the Illinois Freedom Party holds a fundraiser called the Lincoln Birthday Gala. Last year, they raised \$200,000: \$60,000 for their federal account and \$140,000 for their nonfederal account. This year the party hopes to raise approximately the same amount of money.

The fundraiser will be held on February 12, 2016. For reporting purposes, the party assigned the name “Lincoln Birthday Gala” to the event.

1. **What is the first thing we need to do? How do state party committees allocate fundraising expenses between their federal and nonfederal accounts?**

Reporting Scenario #5 Answer:

1. What is the first thing we need to do? How do state party committees allocate fundraising expenses between their federal and nonfederal accounts?


Answer: Step 1: Determine and Report Ratio.

State and local party committees allocate the direct costs of each fundraising program or event in which the committee collects both federal and nonfederal funds. The costs are allocated according to the **funds received ratio**: the ratio of the federal funds received to total receipts for the fundraising event. (In this case, 60,000 federal receipts ÷ \$200,000 total receipts = 30% federal.)

Show the calculation of the allocation formula, based on the funds received ratio (using last year's figures), and report the ratio on Schedule H2 (Allocation Ratios for Fundraising and Direct Candidate Support Activities). The ratio is 30% federal, 70% nonfederal.

Fundraising
Step 1

| 1. Identify Allocation Ratio | | |
|--|---|--|
| SCHEDULE H2 (FEC Form 3X) ALLOCATION RATIOS | | |
| <small>NAME OF COMMITTEE (In Full)</small> Freedom Party of Illinois | | |
| RATIOS FOR ALLOCABLE FUNDRAISING EVENTS AND DIRECT CANDIDATE SUPPORT ACTIVITIES APPEARING ON THIS REPORT. <small>Methods of allocation:</small> I. FUNDRAISING activities are allocated using the "funds received method" where the federal proportion of expenses must equal the federal proportion of monies raised. II. Shared DIRECT CANDIDATE SUPPORT activities are allocated according to benefit expected to be derived, where the federal proportion of disbursements is based on the benefit derived by federal candidates from the activity. For PACs Only: Direct candidate support includes public communications or voter drives that refer to both federal and nonfederal candidates, regardless of whether there is a reference to a political party. Such expenses are allocated using a time/space method. | | |
| <small>ACTIVITY OR EVENT IDENTIFIER</small> Lincoln Birthday Gala (2/12/16) <small>ACTIVITY IS:</small> <input checked="" type="checkbox"/> Fundraising <input type="checkbox"/> Direct Candidate Support <small>CHECK IF THE RATIO IS:</small> <input checked="" type="checkbox"/> New <input type="checkbox"/> Revised <input type="checkbox"/> Same as Previously Reported | <small>FEDERAL %</small> <div style="border: 1px solid black; padding: 2px; display: inline-block;">30.00</div> % | <small>NONFEDERAL %</small> <div style="border: 1px solid black; padding: 2px; display: inline-block;">70.00</div> % |



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2015-16 Election Cycle

Party Operations Part 3

Background: To help organize the dinner, the party committee contracted with a consultant, Professional Party, Ltd., for \$25,000. On January 21, 2016, they paid the consultant \$10,000. The nonfederal account transferred its share of the expenses on January 28.

2. **Since we have determined the ratio for this amount, which will allow us to determine each account's share of expenses, how do we actually disclose the payments to the consultant?**

3. **What do we have to do next?**

4. **We know each account's share, and have made the appropriate transfers to square our accounts. What else do we have to account for?**

2. Since we have determined the ratio for this amount, which will allow us to determine each account's share of expenses, how do we actually disclose the payments to the consultant?

Answer: Report Allocated Federal/Nonfederal Share. Show on Schedule H4 the federal and nonfederal shares of the disbursement to the consultant, based on the allocation formula. (30% federal share = \$3,000; 70% nonfederal share = \$7,000) Remember, the entire amount is still paid out of the federal account, even though H4 discloses each account's share.

Fundraising
Step 2

2. Report Disbursement

SCHEDULE H4 (FEC Form 3X)
**DISBURSEMENTS FOR ALLOCATED
FEDERAL/NONFEDERAL ACTIVITY**

NAME OF COMMITTEE (In Full)
Freedom Party of Illinois

A. Full Name (Last, First, Middle Initial)
Professional Party, Ltd.

Mailing Address
123 Event Lane

City **Chicago** State **IL** Zip Code **60601**

Purpose of Disbursement:
Fundraising Event Planning

Activity or Event Identifier:
Lincoln Birthday Gala

Allocated Activity or Event:
☐ Administrative ☒ Fundraising ☐ Exempt
☐ Voter Drive ☐ Direct Candidate Support
☐ Public Comm (ref to party only) by PAC

Allocated Activity or Event Year-To-Date

\$10,000.00

Category/
Type **003**

Date **01 / 21 / 2016**

FEDERAL SHARE


\$3,000.00

NONFEDERAL SHARE

\$7,000.00

TOTAL AMOUNT

\$10,000.00



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2015-16 Election Cycle

Party Operations Part 3

3. What do we have to do next?

Answer: Report Transfer from Nonfederal Account. Show the amount of the nonfederal transfer for its share of this fundraising expense on Schedule H3.

3. Report Nonfederal Transfer

SCHEDULE H3 (FEC Form 3X)
TRANSFERS FROM NONFEDERAL ACCOUNTS FOR
ALLOCATED FEDERAL / NONFEDERAL ACTIVITY

PAGE **1** OF **1**
FOR LINE 18a OF FORM 3X

NAME OF COMMITTEE (In Full)
Freedom Party of Illinois

| NAME OF ACCOUNT | DATE OF RECEIPT | TOTAL AMOUNT TRANSFERRED |
|--|-----------------------|--------------------------|
| IL Freedom Party Nonfederal Account | 01 / 28 / 2016 | \$7,000.00 |

BREAKDOWN OF TRANSFER RECEIVED

i) Total Administrative

ii) Generic Voter Drive

iii) Exempt Activities

iv) Direct Fundraising (List Activity or Event Identifier)

a) **Lincoln Birthday Gala** **\$7,000.00**

b)

c) Total Amount Transferred For Direct Fundraising **\$7,000.00**

v) Direct Candidate Support (List Activity or Event Identifier)

a)

b)

Fundraising
Step 3

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Party Operations Part 3

4. We know each account's share, and have made the appropriate transfers to square our accounts. What else do we have to account for?

Answer: We still owe the fundraising consultant \$15,000!

Report Outstanding Debt. Show Schedule D with the outstanding debt owed to the consultant and the payment this period.

Fundraising
Step 4

4. Other Reporting - Debt

SCHEDULE D (FEC Form 3X)
DEBTS AND OBLIGATIONS
 Excluding Loans

(Use separate schedule(s) for each numbered line)

PAGE **1** OF 1
 FOR LINE NUMBER: (check only one)
☐ 9
☒ 10

NAME OF COMMITTEE (In Full)
Freedom Party of Illinois

| | |
|--|--|
| A. Full Name (Last, First, Middle Initial) of Debtor or Creditor Professional Party, Ltd. | Nature of Debt (Purpose): Fundraising Event; Planning for Lincoln Birthday Gala (2/12/16) |
| Mailing Address 123 Event Lane | |
| City State Zip Code Chicago IL 60601 | |
| Outstanding Balance Beginning This Period <div style="border: 1px solid black; padding: 2px; text-align: center;">\$0.00</div> | |
| Amount Incurred This Period <div style="border: 1px solid black; padding: 2px; text-align: center;">\$25,000.00</div> | Payment This Period <div style="border: 1px solid black; padding: 2px; text-align: center;">\$10,000.00</div> |
| Outstanding Balance at Close of This Period <div style="border: 1px solid black; padding: 2px; text-align: center;">\$15,000.00</div> | |

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Task 2: Determining Ratio Adjustments for Allocated Fundraising Expenses

Background: If you recall, the event was held on February 12. So, several weeks after the event, on April 2nd, the committee reviews the actual funds received, to determine whether the original ratio reflects the actual funds received by the federal and nonfederal accounts.

The committee determines that they received a total of \$250,000; \$100,000 for the federal account and \$150,000 for the nonfederal account. They spent a total of \$50,000 on the event.

5. **What should the committee do at this point? How long does the committee have to re-estimate and adjust their fundraising ratio?**

6. **How do we calculate the amount to transfer from the federal account to the nonfederal account?**

Background: The federal account transfers its share of adjusted expenses on April 2nd.

7. **How do we report that transfer?**

5. What should the committee do at this point? How long does the committee have to re-estimate and adjust their fundraising ratio?

Answer: The committee has up to 60 days after an event or after the date of a program to adjust the ratio, based on actual funds received, and show the new ratio (40% Federal/60% Nonfederal) on Schedule H2.

- When the adjustment results in a higher federal percentage than originally estimated (as in this case), transfers must be made from the federal account to the nonfederal account for as long as federal funds are received.
- On the other hand, when the federal percentage becomes lower than originally estimated, transfers from the nonfederal account to the federal account can only be made within 60 days after an event.

Re-Estimate
& Adjust Ratio

| Adjust Ratio | | |
|--|---|--|
| SCHEDULE H2 (FEC Form 3X) ALLOCATION RATIOS <div style="text-align: right; font-size: 0.8em;">PAGE 1</div> | | |
| NAME OF COMMITTEE (In Full) Freedom Party of Illinois | | |
| RATIOS FOR ALLOCABLE FUNDRAISING EVENTS AND DIRECT CANDIDATE SUPPORT ACTIVITIES APPEARING ON THIS REPORT. Methods of allocation: <div style="font-size: 0.8em;"> I. FUNDRAISING activities are allocated using the "funds received method" where the federal proportion of expenses must equal the federal proportion of monies raised. II. Shared DIRECT CANDIDATE SUPPORT activities are allocated according to benefit expected to be derived, where the federal proportion of disbursements is based on the benefit derived by federal candidates from the activity. For PACs Only: Direct candidate support includes public communications or voter drives that refer to both federal and nonfederal candidates, regardless of whether there is a reference to a political party. Such expenses are allocated using a time/space method. </div> | | |
| ACTIVITY OR EVENT IDENTIFIER Lincoln Birthday Gala (2/12/16) ACTIVITY IS: <input checked="" type="checkbox"/> Fundraising <input type="checkbox"/> Direct Candidate Support CHECK IF THE RATIO IS: <input type="checkbox"/> New <input checked="" type="checkbox"/> Revised <input type="checkbox"/> Same as Previously Reported | FEDERAL % <div style="border: 1px solid black; padding: 2px; font-weight: bold;">40.00</div> % | NONFEDERAL % <div style="border: 1px solid black; padding: 2px; font-weight: bold;">60.00</div> % |

Party Operations Part 3

6. How do we calculate the amount to transfer from the federal account to the nonfederal account?

Answer: Apply new federal percentage (40% federal) to total expenditures paid for this event (\$50,000). Since the federal share has increased, you will need to calculate the amount that must be transferred from the federal account to the nonfederal account.

- The federal account's percentage under the new ratio is 40%
- The federal account's percentage under the old ratio was 30%
- This is a 10% difference. So the federal account **owes \$5,000 to the nonfederal account** (\$50,000 x 10% = \$5,000)

-OR-

Another way you can determine whether this amount is correct is to calculate the federal account's share using both ratios and transfer the difference. In this case,

- The federal account's share under the new ratio is **\$20,000**. (\$50,000 x 40% = \$20,000)
- The federal account's share under the old ratio is **\$15,000**. (\$50,000 x 30% = \$15,000)
- So, the federal account **owes \$5,000 to the nonfederal account** (\$20,000 - \$15,000 = \$5,000)

Calculating Transfer

- ▣ Recalculated Federal Share:

$$\$100,000 \div 250,000 = 40\%$$

- ▣ Previous Federal Share = 30%

- ▣ Required Transfer = 10% of Expenses

(due to 10% increase in federal share)

- ▣ Total Spent on Event = \$50,000

$$10\% \times \$50,000 = \$5,000$$



2015-16 Election Cycle

Party Operations Part 3

Background: The federal account transfers its share of adjusted expenses on April 2nd.

7. How do we report that transfer?

Answer: Show reporting of transfer on Schedule H4 as a 100% federal expense.

Ratio
Adjustment Transfer

Adjusted Ratio- Federal Payment

PAGE 1
FOR LINE 21a OF Pa

SCHEDULE H4 (FEC Form 3X)
DISBURSEMENTS FOR ALLOCATED FEDERAL/NONFEDERAL ACTIVITY

NAME OF COMMITTEE (In Full)
Freedom Party of Illinois

A. Full Name (Last, First, Middle Initial)
IL Freedom Party Nonfederal Account

Mailing Address
777 Capitol Street

City **Springfield** State **IL** Zip Code **62701**

Purpose of Disbursement:
Ratio Adjustment Transfer

Activity or Event Identifier:
Lincoln Birthday Gala (Event Date: 2/12/16)

Allocated Activity or Event:

☐ Administrative ☒ Fundraising ☐ Exempt

☐ Voter Drive ☐ Direct Candidate Support

☐ Public Comm (ref to party only) by PAC

Allocated Activity or Event Year-To-Date

\$50,000.00

Category/Type

003

Date

04 / 02 / 2016

FEDERAL SHARE

\$5,000.00


+

NONFEDERAL SHARE

=

TOTAL AMOUNT

\$5,000.00



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Party Operations Part 3

Continue to Monitor Receipts. Should the committee continue to receive additional federal funds relating to this event, the committee would be required to re-estimate the allocation ratio, adjust the ratio on Schedule H2 and transfer federal funds to the nonfederal account, as appropriate.

Tricky Issues: Reporting Allocated Fundraising Expenses

- **Ratio on Schedule H2**
 - Use Funds Received ratio based on estimate.
 - H2 must be filed with each report that discloses a disbursement for fundraising or direct candidate support activity on H4.
- **Payment on Schedule H4**
 - Include specific purpose.
 - Check appropriate category (fundraising).
 - Include unique code or event identifier; make sure it is the same as disclosed on H2.
- **Transfer-in of Nonfederal Share on Schedule H3**
 - Use appropriate line for type of expense.
 - Make sure totals listed for each category match up to bottom of H3.
 - Make sure unique code or event identifier is the same as disclosed on H2.
- **Debts**
 - Include contracted-for services.
 - Report on Schedule D.
- **After the Event or Program:**
 - Continue to monitor receipts and adjust ratio to reflect actual funds received.
 - Show new ratio (check revised ratio box and provide date of event).
 - Make corrective transfers within 60 days (or afterwards if more federal funds are received).
 - Report such transfers on Schedule H4 as 100% federal disbursement if federal share increases; or report transfers on Schedule H3 within 60 days if nonfederal share increases.

Workshop Evaluation

Help Us Help You!

Please complete an evaluation
of this workshop.



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Next Workshop:

**Recent Developments
in the Law
1:15 – 2:30**



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